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NATIONAL CANNERS ASSOCIATION

For Members
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May 17, 1952

N.C.A. Recommendation for Suspension of Price Controls on Canned Foods—Testimony Presented to the House Committee on Banking and Currency, May 15, 1952, on Extension of the Defense Production Act

The National Canners Association formally recommended on May 16 that Congress should provide for suspension of price controls on canned foods in ample supply where the prevailing price is exerting no inflationary pressure.

This recommendation was presented by Henry P. Taylor, 1950 President of the N.C.A., at hearings by the House Committee on Banking and Currency on proposals to extend the Defense Production Act, which authorizes price controls (see INFORMATION LETTER of May 17, page 175).

The N.C.A. presentation was another effort to implement the resolution adopted by the canning industry at the 1952 Canners Convention in At-

lantic City (see INFORMATION LETTER of January 30, page 85) and the letter from President Fred C. Heinz to Director of Price Stabilization Ellis Arnall requesting suspension of ceilings on canned foods (see INFORMATION LETTER of May 3, page 165).

A similar presentation was made by N.C.A. to the Senate Committee on Banking and Currency (see INFORMATION LETTER of March 15, page 125, and Supplement to issue of May 22).

To furnish members with complete information on the N.C.A. presentation, there is reproduced here not only the full text of the prepared statement but also portions of the transcript of the hearing covering questions and answers.

Text of N.C.A. Prepared Statement

[Following is the complete text of the statement prepared for delivery by Mr. Taylor.]

My name is Henry P. Taylor. I am president of Taylor & Caldwell, Inc., vegetable canners of Walkerton, Virginia, and a past president of the National Canners Association.

The 47 state distribution of its members who pack over 640 million cases of canned foods valued at over \$2 billions is detailed in our formal statement which I want briefly to highlight for you by using some charts.

These cold facts, you will see, make inevitable the conviction that price controls on canned foods are unnecessary, that they currently serve no useful end in combatting inflation, that the foreseeable future indicates no justification for their continued existence, and that they are a burden and restraint on the production of the canning industry without reason or purpose.

These views, based on the facts I am going to summarize, should lead this Committee to provide for the suspension of price controls where—as in the canning industry—they are not needed for the purposes for which they were authorized.

It was on this basis that early in March we informally requested the Office of Price Stabilization to establish standards for the suspension of price controls on products in ample supply where the prevailing prices are exerting no inflationary pressure as in the case of canned fruits and vegetables. On April 22 Price Director Arnall announced preliminary standards for suspension of price controls. On April 28, President Fred C. Heinz of the N.C.A., in a letter to Mr. Arnall, formally advised that the current situation with respect to canned fruit and vegetable prices meets these standards and respectfully requested that controls of canned fruit and vegetable prices be suspended. Mr. Arnall acknowledged this letter on May 8, but no action has been taken and promises as to what or when action will be taken are vague. A copy of this letter is filed in our statement.

We believe the staff of the Office of Price Stabilization is conscientious, hard-working and able, but we also believe that no government agency, no matter how conscientious, hard-working, and ably staffed it may be, can ever hope to reproduce the flexibility and self-adjusting characteristics of a free market.

No controls are even a moderately adequate substitute for the operation of the forces of supply and demand in a free economy. As illustrated in our statement, under price controls current distortions are frozen into the price structure, shifts from product

to product are stopped, and confusion results. Correction by normal competitive means is prevented. And correction by government agency seems a mirage which recedes as we approach it.

Let's look now at the facts.

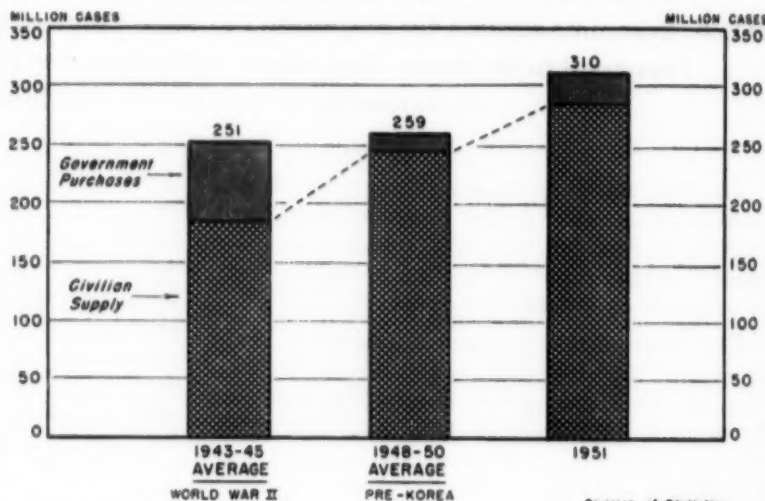
The productive capacity of the canning industry is so great that it is fully equal to the demands currently

being made on it. No one can challenge that the operation of the forces of supply and demand in the canning industry are currently more effective in combatting inflation than are price controls.

The supply and demand picture for canned fruits and vegetables can be vividly and quickly seen from my first three charts.

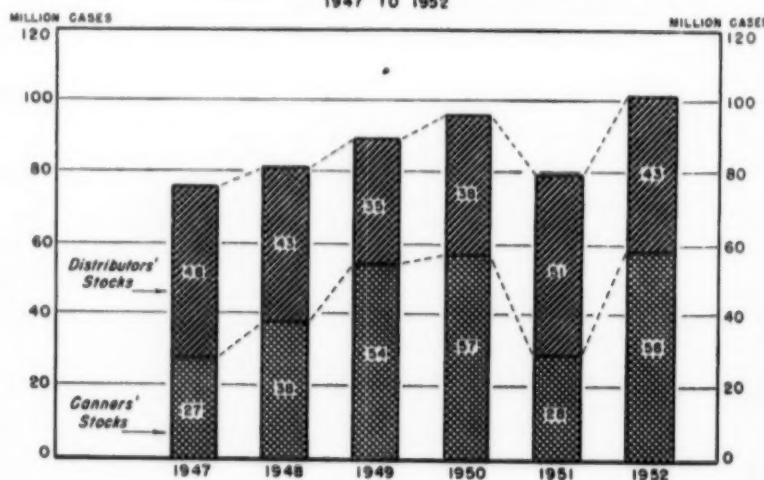
The first one shows the production record for three periods: 1943-45, 1948-50, and the year 1951.

PRODUCTION - CANNED FRUITS AND VEGETABLES



SOURCE: National Canners Assoc.

Division of Statistics
National Canners Assoc.
May 1952

APRIL 1 STOCKS - CANNED FRUITS AND VEGETABLES
1947 TO 1952

SOURCE: Distributors' Stocks - U.S. Dept. of Commerce
Cannery Stocks - Div. of Statistics, National Canners Assoc.

Division of Statistics
National Canners Assoc.
May 1952

You can quickly see that following World War II civilian supplies of fruits and vegetables were vastly increased over those previously available.

For 1951 the supplies, after allowing for government requisitions, were even greater than in the pre-Korean period.

These total supplies available for civilian use, translated into available per capita civilian supply are: During World War II, 32 cans per person; during the pre-Korean period, 39 cans per person; and during 1951, 46 cans per person. You can readily see that the per capita civilian supply in 1951 was one and a half times that during World War II when we had rationing and price control and 118 percent of the pre-Korean period when supplies are presumed to have been adequate.

During and following World War II the industry was modernized, its plants enlarged, and greatly increased capacity developed and utilized.

The results of all of this are seen on the second chart, showing the stocks of canned foods both in canners' and distributors' hands as of April 1.

You will see that for 1952 these are higher than any previous year.

The canners' stocks are as high as they have ever been.

The distributors' stocks were lower only in two previous years. This demonstrates forcefully that distributors have complete confidence in supplies both for the present and the future.

Since we are close enough to the current packing season for canners and the farmers who supply them to have indicated that their intended acreages of vegetables for canning are practically the same as last year and growing conditions in all fruit and vegetable areas are extremely favorable, it appears we have in prospect another large pack of canned fruits and vegetables.

My next chart will startle the Committee. It shows the 1951 actual production of processing vegetables and the 1952 goal which the Department of Agriculture has recommended.

You will quickly see that the Department of Agriculture has recommended a 15 percent reduction in the processing tonnage.

I ask you to keep this chart in mind when we look at the price situation.

The plain fact is that while OPS, one government agency, is asking for tighter price controls, presumably because of scarcity and inflationary pressure, the Department of Agriculture asks this reduction in processing tonnage.

To quickly sum up this supply and demand situation, which we will show in a minute has resulted in the low

canned food prices of today, the Committee can keep in mind:

First, that the production of canned fruits and vegetables for civilian use is at an all-time high, tremendously above World War II and about 20 percent above the pre-Korean average.

Second, that as of April 1, 1952, the stocks in canners' and distributors' hands were at an all-time high.

Third, that the Department of Ag-

riculture has recommended—which is equivalent to asking that—there be a 15 percent reduction in the 1952 goals on processing vegetables.

Where are canned fruit and vegetable prices today?

The next chart shows that relatively they are far below all foods and far below the cost of living.

May I as a layman first say a word about the statistical form of this chart.

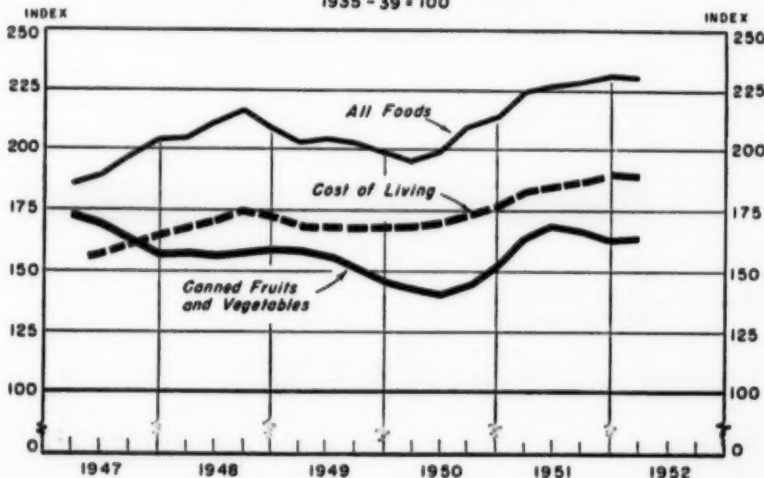
USDA 1952 PRODUCTION GOAL PROCESSING VEGETABLES



SOURCE: U.S. Dept. of Agriculture

Division of Statistics
National Canners Assn.
March 1952

RETAIL PRICE TRENDS 1935 - 39 = 100



SOURCE: Bureau of Labor Statistics

Division of Statistics
National Canners Assn.
March 1952

It does not really show prices but only trends.

This Committee knows that in the computation of the cost of living index by the Labor Department all foods have a value of about 34 percent. But in this cost of living index canned fruits and vegetables amount to only 2 percent.

The number of dollars represented by the cost of living index is very large. The number of dollars represented by the line for all food prices is much smaller. The number of dollars represented by the line for canned fruit and vegetable prices is a very, very small part of the picture.

Put another way, this chart shows merely the way in which prices have moved since 1946.

Let's look at the picture.

As of April, 1952, the index of canned fruit and vegetable prices is 25 points below the cost of living index. It is 65 points below that for all foods.

Even more striking is the fact that the index for canned foods has declined every month from June through November, 1951.

In this same period the index for all foods and the cost of living index was still rising.

This result was not due to price controls.

If you will keep in mind the supply and demand situation, the story on the next chart will be understood.

This shows that canned fruits and vegetables are now selling below ceiling prices.

They are doing so not because of the price ceilings, but because of supply and demand.

From this chart, which was prepared by the N.C.A.'s Statistics Division, you will quickly see that 88 percent of all canned fruits and vegetables are now selling below ceiling prices.

When this overwhelming bulk of those selling below ceilings are further analyzed you can see that 30 percent are selling down to 5 percent below ceilings, an additional 27 percent are selling from 5 percent to 10 percent below ceilings, and the extraordinary percentage of 31 percent, or about a third, are selling 10 percent and more below ceiling prices.

I have here another practical illustration of what this means to the housewife.

It is a series of advertisements by retail grocers scattered throughout the country. These grocers know the facts. They are advertising canned foods by comparing the present prices with those which prevailed a year ago.

In all instances the prices are lower. The members of the Committee may be interested in looking at some of these sheets.

There is the price picture.

The index of canned fruit and vegetable prices is below where it was in 1947. Canned fruit and vegetable prices are below what they were in mid-1951, production and stocks are at an all-time high, and 88 percent of the volume of canned fruits and vege-

tables are selling below ceiling prices—and about a third at more than 10 percent below ceiling prices.

From this showing, it should be clear that there is no inflationary pressure—and no need for emergency price controls for canned foods.

The Committee may ask why the canning industry objects to price control if 88 percent of its volume is selling below the ceilings. You may ask why we insist that there should be provision for suspension of price controls, and that these provisions be automatic and self-operating.

There are many compelling reasons. They are detailed in our statement and can be quickly summarized:

In the first place, there is the burden and the vast amount of time, money, and energy that must be needlessly expended. These can be ill-afforded by the smaller canners. For example, in my own instance I only have a single bookkeeper.

Second, and of vital concern to every canner, is the strait-jacketing which price control imposes.

Necessarily, most canned food price ceilings provide formula prices. This means that some base period pattern is selected and various factors provided for material and labor.

No matter what base period is selected, no price control could possibly keep up with changes and adjustments to compensate for this freezing of the normal interplay of competitive forces.

Every OPS man will agree that no matter what its form, every price control regulation will cause some inequities.

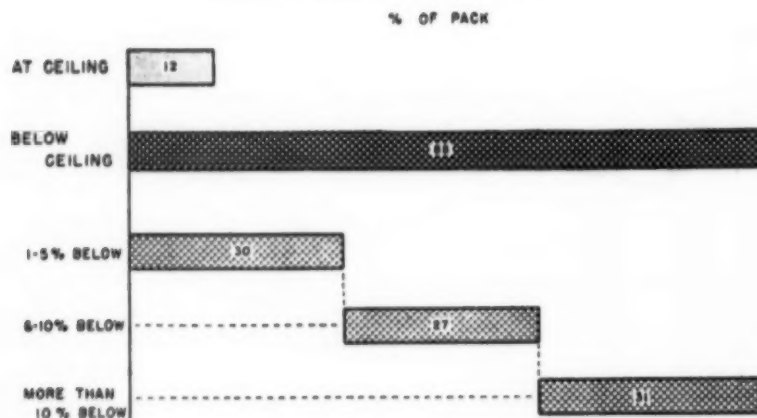
Canners constantly make a loss on many items where an abundant supply results in a very low price. They must partially recoup these losses on other items.

The real point is that all of this strait-jacketing takes place where there is no fundamental need for price control.

Next, there is the plain confusion and the irreducible impediment to production and operations which price controls cause. I could expand on these indefinitely. They are detailed in our statement. The net effect is that the ordinary buying and selling of a clearly abundant supply of canned fruits and vegetables is disrupted and harassed by the existence of unnecessary price controls.

As we see it, the continuance of price controls for canned foods can be justified only by those who want controls—emergency or no emergency—simply for the sake of having price controls. We disagree. We think that with abundant supply we should have free competition. We think under this system the consumer has been and will be far better off.

**CANNERS SELLING PRICE
IN RELATION TO CEILINGS - APRIL 1952
CANNED FRUITS AND VEGETABLES**



SOURCE: National Canners Assoc.

Division of Statistics
National Canners Assoc.
May 1952

Committee Questions and Answers

[Following is a transcript of the questions asked of Mr. Taylor by members of the Committee and Mr. Taylor's answers.]

THE CHAIRMAN: What proportion of the total production of fruits and vegetables is canned by commercial canners?

MR. TAYLOR: Almost all of it. Of course, now, you are speaking in comparison to—

THE CHAIRMAN: I am thinking of the commercial canners. I do not suppose you have any accurate statistics.

MR. TAYLOR: Well, practically all of the supply available for sale is by commercial canners.

THE CHAIRMAN: What proportion of the entire product, percentage-wise, does that amount to?

MR. TAYLOR: Oh, there is a good deal more that is canned than is sold fresh. It varies by product, from one product to another.

THE CHAIRMAN: I realize that, but as a general statement, could you say what the proportion is?

MR. TAYLOR: On the principal canned vegetables, of say peas and corn, about 85 percent are canned.

THE CHAIRMAN: By commercial canners?

MR. TAYLOR: Yes, sir.

MR. BROWN: What percentage of the packed canned fruits and vegetables is now selling at a ceiling price?

MR. TAYLOR: Our chart is based on a survey which has just been made. This shows that it is 12 percent. But you might take it from that, that all of some particular product is selling at ceiling. But this is not the case.

The canned product, of which the largest percentage is selling at ceiling, is apricots, and of canned apricots, items that represent 26 percent of the volume are selling at ceiling, and items that represent 74 percent of the volume are selling below ceilings.

In the case of canned corn, items representing 21 percent of the volume of canned corn are selling at ceilings, while items that represent 79 percent of the volume of canned corn are selling below ceilings.

Thus you see, there is not a single item in which the housewife does not have an opportunity to buy at below ceiling prices.

MR. BROWN: You say you have an ample supply of canned foods?

MR. TAYLOR: Yes, sir.

MR. BROWN: Do you have more canned fruits and vegetables than you had last year?

MR. TAYLOR: The supply of canned fruits and vegetables in the hands of suppliers on April 1st is greater than it has ever been before in the history of the canning industry.

MR. BROWN: Is that the reason the Department of Agriculture recommended a decrease in the tonnage of canning this year?

MR. TAYLOR: That is correct.

MR. BROWN: The ceilings do not have much effect on those products today, do they?

MR. TAYLOR: The ceilings today are not effective at all in controlling the prices of canned fruits and vegetables. It is controlled by competition, by relation between supply and demand.

MR. BROWN: Pardon me, but what are you complaining about then?

MR. TAYLOR: We are complaining about having to make reports. Let me put it this way: The volume of an item that is canned, a seasonal item, depends on the weather. It may be up or down.

In our own instances, in the case of peas, this year we could pack as little as 20,000 cases, or as much as 60,000 cases from the acreage we have, and be within the limits of our past experience.

No other type of industry is faced with that uncertainty. The canning industry tries to spread that risk by packing more than one item.

You see, just as insurance companies can insure a number of lives with certainty where they could not insure one life, so if a canner is able to pack several products, he can average out some of this risk. But if he is frozen to low prices on one item, that is unprofitable, and maybe he has a good ceiling on another item that is profitable, and that comes down and becomes unprofitable, he does not have a chance to recoup on the first item.

The way things work in the canning industry, some prices are going up and some are coming down all the time. Still, you can see here that the cost of living index—this is based on the Bureau of Labor Statistics—you can see that the prices of canned fruits and vegetables have been consistently below the cost of living index, and considerably below the cost of all foods index.

MR. BROWN: You have given a good explanation. I am glad I asked the question. That is all, Mr. Chairman.

THE CHAIRMAN: How long can canned fruits and vegetables be kept canned without deterioration?

MR. TAYLOR: Indefinitely — with some variation depending on the product, Mr. Chairman. In the case of the highly acid items, there is a possibility of spoilage if they are kept too long under adverse conditions.

In the case of the non-acid vegetables, they will keep without serious injury to flavor almost indefinitely.

MR. BURTON: Does the National Canners Association have any sugges-

tions as to a formula for the extension of price controls?

MR. TAYLOR: Yes, we do, Mr. Burton. We suggest that the formula used after World War II for agricultural products be used now in an immaterially modified version of Section 901 (e) of Title 50, U. S. Code, on page 5770. I have attached a copy of that to my statement [see below]. It provides that the Secretary of Agriculture shall certify when products are in short supply, and that when they are in short supply, their price shall be controlled.

But if they are not so certified, that their price shall not be controlled.

MR. BURTON: Such a provision would make it entirely satisfactory to your Association?

MR. TAYLOR: This provision would make it satisfactory to our Association, and this provision was used before, and it worked in a satisfactory manner.

MR. BURTON: Do you think that something of that character would be better than even a repeal of the law?

MR. TAYLOR: We are not asking for the repeal of the law, because we realize that it is difficult today to know what conditions may be six or eight months from now, and until things are a little bit better, a little bit more settled, we would not oppose reenactment of the law if—as in the case of canned fruits and vegetables—prices can be suspended when controls are not needed to prevent inflation.

MR. BURTON: Then, as a provision, to be safe, you would rather be inclined to our putting in provisions of the kind you suggested?

MR. TAYLOR: Yes, sir.

MR. BURTON: Rather than suspension or decontrol?

MR. TAYLOR: That is right, sir.

MR. NICHOLSON: Do I understand that the National Canners Association does not want this law repealed?

MR. TAYLOR: We have not asked for its repeal. We have asked only for its suspension.

At the convention of the National Canners Association, Mr. Nicholson, in January of this year, a resolution was passed for suspension and did not ask for repeal.

MR. NICHOLSON: Well, what is the difference between suspension and repeal?

MR. TAYLOR: Well, suspension would make it possible, if conditions warranted, to reimpose controls more promptly than they could be reimposed, or could be started afresh, I think, and we believe—well, we just do not believe the law is going to be repealed right now. I am speaking personally now. I would not like to put the Association on record. I think the chances that controls will be needed for agricultural products are very, very small, but I think if provision can be made to suspend those controls when they are not needed,

then agricultural products would be taken care of.

MR. NICHOLSON: Well, your chart, and what you have said in your statement, led me to believe that there was a surplus of canned foods throughout the country.

MR. TAYLOR: There is.

MR. NICHOLSON: And if there is a surplus of canned foods, why under the sun should we have every man who puts up his canned stuff, or the grocer who sells them for you, make these reports to OPS?

MR. TAYLOR: I agree with you.

MR. NICHOLSON: And he cannot even satisfy them after he has made them.

MR. TAYLOR: I agree with you, and we are asking that controls be suspended, sir.

MR. NICHOLSON: Well, of course, if we get into a position like a world war, or something, the Congress is always around to pass a bill, if it is necessary.

MR. TAYLOR: Mr. Nicholson, I would say this: that there are a great many canners who would agree with you in wanting controls repealed.

MR. NICHOLSON: I imagine there would be.

MR. TAYLOR: But the Association, as such, has not taken that attitude.

MR. BURTON: Mr. Taylor, what is that in 12 percent of canned fruits and vegetables that are selling at ceiling prices?

MR. TAYLOR: There are just a few items of not a great many products. I practically answered that question a little while ago. In other words, in the case of canned apricots, where a larger percentage of the volume is selling at ceiling prices, that is, items representing 26 percent of the volume of canned apricots are selling at ceiling price, but items representing 74 percent of the volume of canned apricots are selling below ceiling.

And in the case of corn, 21 percent of the items of canned corn, representing 21 percent of the volume of canned corn, are selling at ceiling, but 79 percent are selling below ceiling. So that the housewife really is not compelled to purchase any item of canned fruits and vegetables at the ceiling price. She can always find some that are below ceiling.

MR. BURTON: Are the items that sell below ceiling principally luxury items?

MR. TAYLOR: No, sir, I do not think so. I think most of the items selling at ceiling are those that are unfortunate enough to be caught at a low ceiling.

You see, price changes are the result of the reaction between supply and demand. In the canning industry, where it is not possible to plan your production because of the variation due to other conditions, you may have very considerable surpluses, and this does result in those items, when they are canned, selling at a loss.

Well, because the supply of a canned food, a seasonal canned food, can be adjusted to the demand only once during the year, a 12 months' supply is packed in just a few weeks, and the commitment has to be made months before that—like the planting of peas and corn, and so on, and you can adjust your supply to demand only once during the year.

That means that seasonal canned items have a long price cycle, and when a price freeze is based on a short period of a few months, it is entirely possible that some items may be frozen at the bottom of that price cycle, or frozen to a loss, and those items can sell right up against their ceiling and still be unprofitable, while items that were fortunate enough to be caught at the top of their price cycle may sell below ceilings and still be profitable, and I would say that those items representing 12 percent of the volume which are selling at ceiling, that quite a few of those are items that were unfortunate enough to be caught at the bottom of their price cycle.

MR. TALLE: Has your organization ever discussed the proposal for rationing any commodities?

MR. TAYLOR: We have never discussed it and we do not think that it is necessary at all. We do not think it is going to be necessary in the foreseeable future, for any of our products.

MR. TALLE: Thank you.

THE CHAIRMAN: You may stand aside. We are glad to have your views.

MR. TAYLOR: Thank you, Mr. Chairman.

Proposed Amendment

Following is the text of the proposed amendment to the Defense Production Act offered by N.C.A. to the House Committee on Banking and Currency:

Section 402(d) (5) After the enactment of this paragraph, no ceiling price shall be established or maintained on any agricultural or fish commodity during any calendar month which begins more than 30 days after the date of enactment of this paragraph unless such commodity is certified to the President under this paragraph as being in short supply. On the first day of the first calendar month which begins more than 30 days after the date of enactment of this paragraph, the Secretary of Agriculture shall certify to the President each agricultural commodity, and the Secretary of Interior shall certify to the President each fish commodity, which such Secretary determines to be in short supply. Thereafter, on the first day of each succeeding calendar month, each Secretary shall certify modifications of such certification by adding other agricultural or fish commodities which have become in short supply and by removing from such certification such commodities which he determines are no longer in short supply. Within fifteen days of the receipt of any such certification or modification of such certification, the President shall suspend and may reactivate the price ceilings applicable to particular agricultural or fish commodities as required or permitted by such certification. For the purposes of this paragraph: (i) an agricultural commodity or fish commodity shall be deemed to be in short supply unless the supply of such commodity equals or exceeds the requirements for such commodity for the current marketing season; (ii) the term "agricultural commodity" shall be deemed to mean any agricultural commodity and any food or feed product processed or manufactured in whole or substantial part from any agricultural commodity; (iii) the term "fish commodity" shall be deemed to mean any fish or sea food and any food or feed product processed or manufactured in whole or substantial part from any fish or sea food.